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## Japan-ASEAN: Developing Political and Security Relations

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An Intelligence Assessment

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June 1983

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# **Japan-ASEAN: Developing Political and Security Relations**

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**An Intelligence Assessment**

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**Key Judgments**

*Information available  
as of 20 May 1983  
was used in this report.*

Until very recently Japan-ASEAN relations were confined largely to economic issues of trade, investment, and aid. Political relations were burdened by memories of World War II, resentment of Japanese corporate wealth, and suspicions about Tokyo's objectives. This has begun to change, and Prime Minister Nakasone's recent ASEAN trip is an important benchmark in that process. It laid the groundwork for much-improved communication between Tokyo and ASEAN capitals and highlighted a sense of shared interests.

Previous visits by Japanese prime ministers had the air of commercial transactions—public statements by ASEAN praising, or at least not criticizing, Japan in return for large quantities of Japanese economic assistance. Nakasone conveyed the image of a new type of Japanese leader willing to listen, prepared to speak frankly on such sensitive subjects as Japan's wartime activities in the region, and anxious to establish good personal relations with ASEAN leaders. The resulting cordiality is a major new element in the Japan-ASEAN relationship. Equally important, Nakasone established a base for sustained political and security dialogue with the region:

- He gained statements of approval from each ASEAN government for Japan's plans to increase its defense effort, including naval patrols 1,000 nautical miles south of Yokohama.
- By obtaining ASEAN backing for his defense program, he countered Soviet efforts to spread distrust in Southeast Asia concerning Japan's intentions. In the process he may have undercut some of his domestic critics on defense policy.
- He strengthened Japan's support for ASEAN's opposition to the Vietnamese presence in Kampuchea.
- By discussing defense policy, Indochina, and the role of external powers in Southeast Asia, he broadened the Japan-ASEAN relationship beyond traditional economic discussions. The next opportunity to continue this dialogue will be at the expanded ASEAN ministerial meetings in Bangkok in June.

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Nakasone consolidated Japan-ASEAN economic relations by maintaining official assistance levels despite severe budget constraints. At the same time he managed to shift the focus of the economic relationship away from aid and toward trade by promising better access for ASEAN exports into the Japanese market. He also positioned Japan to act as a spokesman for Third World economic interests in negotiations among the advanced industrial democracies.

The Nakasone trip suggests a maturing Japan-ASEAN relationship. Whether this process will continue depends in part on the extent to which Nakasone can follow through on the promises he made—particularly access to the Japanese market. Even then, some deep-seated negative attitudes will remain and will be overcome only with long-term effort.

US interests were also enhanced. By preparing the constituency in Japan for an active foreign policy and an enlarged defense effort, Nakasone's trip reflects trends in Tokyo's policy long urged by Washington. A consolidation of the Japan-ASEAN relationship strengthens countries in which the United States has a major strategic, political, and economic stake. Also, Japan's defense buildup has tended to highlight the importance of the US security role in Southeast Asia. Nakasone and the ASEAN leaders emphasized it as a check against Japan's possible reemergence as an autonomous military power in Asia.

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## Japan-ASEAN: Developing Political and Security Relations

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Prime Minister Nakasone's tour of ASEAN between 29 April and 10 May, the fourth by a Japanese prime minister since 1974, highlighted the importance Tokyo attaches to its relations with the Association and its five member states.

### Political-Security Objectives

**Strengthening Relations.** Nakasone's principal objective was broadly political—to strengthen relations between Japan and ASEAN and improve the image of Japan as a good neighbor. He began by publicly reaffirming ASEAN's priority in Japanese policy by stating that the prosperity of Japan and ASEAN were inseparably intertwined and by drawing an analogy with Japanese-US relations. He spoke of his personal vision of Asia as the leading region in the world in the 21st century.

In speaking directly on such contentious political issues as Indochina and Japan's defense policy, Nakasone helped broaden Japan-ASEAN relations beyond traditional economic concerns. Based on our reading of the Southeast Asian press, he created a favorable impression through a series of small gestures, including personal phone calls to his hosts before and after the trip, meetings with local students, and public expressions of regret over Japan's role in World War II. According to diplomatic sources, Nakasone asked each of his ASEAN counterparts for their evaluation of the security situation in Southeast Asia and for concerns that Japan should present at the economic summit in Williamsburg. Partly as a result of these efforts, Nakasone received the friendliest reception ever enjoyed by a Japanese prime minister visiting Southeast Asia.

The significance of this reception was not lost on the Japanese who have long been aware of the deep-rooted obstacles to developing close relations with ASEAN:

- The bitterness and suspicion lingering from World War II.

### Press Comment on the Nakasone Visit

*"Unlike his predecessors, who preferred the benevolent sake-drinking, Santa Claus approach, dispensing large dollops of aid . . . Mr. Nakasone gave the impression of actually listening to what people had to say. Absent was the usual . . . huge entourage and the briefcases full of position papers. [This approach] won him a lot of friends as well as providing him with a franker and more personal insight into the irritants plaguing relations. One ASEAN leader, quick to sense that he was not dealing with the usual traveling Japanese tea party was President Marcos who abandoned the niceties of diplomatic small talk to express some very forceful views indeed . . . that relations between Japan and ASEAN had been marked by neither warmth nor affection."* (The Bangkok Post)

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- Resentment over Japan's economic prominence and the sometimes culturally insensitive behavior of Japanese businessmen.
- A general lack of mutual understanding resulting from the language barrier and the profound cultural differences between Japan and the ASEAN states.

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Tokyo's basic security goal regarding ASEAN is to ensure that the region not come under the control of one or more hostile governments that would limit Japanese access or generate instability that would preclude normal commercial and diplomatic contact. Since World War II Japan has pursued this interest primarily through economic ties, believing that ASEAN economic growth will strengthen links with Japan and help stabilize local governments. Reflecting this, ASEAN has been the principal beneficiary of Japanese economic assistance and has been second only to the United States as a recipient of Japanese foreign investment.

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Former Prime Minister Suzuki, during his 1981 visit to ASEAN, gave an overtly political rationale to the economic aid program by linking it to "comprehensive national security." This was defined as the integration of Japan's economic, foreign, and security policies by targeting foreign aid and active diplomatic support for Japan's friends. [redacted]

In addition, Tokyo has made some tentative efforts to develop political ties with ASEAN:

- *The Japan-ASEAN dialogue.* A network of official and semiofficial meetings that developed in the wake of the 1976 ASEAN Summit, the dialogue has permitted ASEAN and Japanese officials, businessmen, and technicians to meet frequently at all levels.
- *Endorsement of ASEAN's condemnation of the 1979 Vietnamese invasion and occupation of Kampuchea.* Tokyo's decision to back ASEAN's response to the Vietnamese action was an important step in improving Japan-ASEAN relations. [redacted]

Tokyo also attempted two other political initiatives, neither of which won enough international support to warrant sustained effort. The first was the suggestion in the mid-1970s that Japan could serve as a bridge between Vietnam and ASEAN (or the United States) and between China and ASEAN. ASEAN, however, never acknowledged the need for a mediator. Moreover, any idea of mediating between Vietnam and its adversaries has been set aside since the invasion of Kampuchea. A second initiative was the Pacific Basin Community concept championed by former Prime Minister Ohira. Although Tokyo still finds the concept attractive, the ASEAN countries greeted it with ill-disguised skepticism, seeing it as potentially downgrading or supplanting their Association. [redacted]

*The Defense Issue.* Building on diplomatic efforts prior to the trip, Nakasone reassured ASEAN leaders, notably Presidents Soeharto and Marcos, that Japan had no intention of becoming a military power in Southeast Asia. He made the point in public statements and, according to diplomatic sources, emphasized it in private conversations. He pledged that Japan's planned military buildup was strictly defensive and that future Japanese naval patrols would not include Southeast Asian waters. [redacted]

All of the ASEAN leaders publicly accepted Nakasone's explanation and the legitimacy of Japan's defense policy. For Marcos, this was a considerable change from the position he took during his visit to Washington last September. Soeharto, too, had previously expressed strong reservations about Tokyo's intentions. [redacted]

Nakasone reaffirmed the US-Japan Mutual Security Treaty as the cornerstone of Japanese defense policy. We believe this commitment eased ASEAN's immediate concern, which was not the military threat from Japan as much as the fear of a diminishing US military commitment to the region. In our view, a militarily stronger Japan acting as an adjunct of US power would be viewed much differently than a strengthened Japan acting as a substitute for US power. [redacted]

ASEAN also feared that, however limited the scope of Japan's present intentions, a policy once embarked upon assumes its own momentum. As an Indonesian official commented last year, "Once it gets rolling, Japan will do with defense what it has with automobiles and semiconductors." Another view, given some currency recently and generally associated with Indonesia, is a belief that Japan should provide the technology and economic assistance to enable ASEAN to build up its own defenses. [redacted]

With his personal assurances on Japan's defense policy, we believe Nakasone was successful in putting the issue to rest and in countering concerted Soviet attempts in the region to sow distrust of Tokyo's intentions. Japanese diplomats recently informed the State Department of strong complaints they had made to Soviet Deputy Foreign Minister Kapitsa—who had just toured Southeast Asia—about Soviet statements on Japanese defense efforts. [redacted]

*Indochina.* Vietnam's invasion of Kampuchea had previously forced Tokyo to make a stronger political commitment to the region. In addition to condemning the Vietnamese action, suspending its aid program to Vietnam, and declaring support for the ASEAN

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policy of denying recognition to the Vietnamese-installed Heng Samrin government, Tokyo has lobbied effectively in the UN on behalf of that policy and actively participated in the 1981 UN Conference on Kampuchea. Japan is now a member of the ad hoc UN committee appointed to try to reach a settlement.

Nakasone strengthened Japan's support for ASEAN's opposition to the Vietnamese presence in Kampuchea. Going a step beyond earlier pronouncements and—according to Japanese Foreign Ministry officials—guidance from his own advisers, he pledged that Japan would not resume economic aid to Vietnam until all Vietnamese troops were withdrawn from Kampuchea. Nakasone also tested ASEAN reaction to a possible small increase in Japanese aid to Laos designed to encourage a degree of Laotian autonomy from Vietnam. According to a Japanese Foreign Ministry official, Thailand did not object to this proposition.

We believe also that Japan views its economic assistance to Thailand in part as a political gesture of support for the "frontline" state in the ASEAN-Vietnamese confrontation. Although leaving the initiative to ASEAN, Japan has quietly supported efforts to create a coalition of the three anti-Vietnamese factions and has responded to ASEAN's desire to strengthen the two non-Communist ones—the Son Sann and Sihanouk groups—by providing food and medical aid.

**A Personal Relationship.** We believe Nakasone's most important single objective for the trip was to establish a strong personal relationship with each of his ASEAN counterparts. With this in mind, he insisted on face-to-face meetings without the usual entourage. The US Embassy reported that the Foreign Ministry was apprehensive because Nakasone would be dealing with leaders of many years' experience and some very strong personalities. Concern focused particularly on President Marcos.

#### Economic Objectives

On economic matters, Nakasone emphasized continuity with past policies rather than initiating new agreements. Japan is ASEAN's principal trading partner and its largest source of investment and bilateral government assistance. Nakasone sought to ease growing ASEAN unhappiness over the balance of trade and a widespread belief that Japan was benefiting disproportionately from the economic relationship.

**Trade.** Japanese trade with Southeast Asia has followed the classic North-South pattern, involving Japanese imports of energy and primary products and exports of manufactured goods. ASEAN supplies Japan with such critical raw materials as natural rubber, tin, lumber, copper, and bauxite, as well as 20 percent of Japan's crude oil and a growing percentage of its liquefied natural gas imports. In return, Japan exports machinery, vehicles, metal products, textiles, consumer electronics, chemicals, and plastics (see table 1).

Roughly 15 percent of Japan's total imports come from ASEAN, and those countries absorb approximately 10 percent of Japan's overseas sales. In 1982 imports from ASEAN totaled \$19.4 billion; exports equaled \$14.8 billion. ASEAN's overall surplus is largely attributable to Indonesian oil and masks chronic negative trade balances by Singapore, the Philippines, and Thailand. With the moderate recovery in raw material prices that is currently under way, some ASEAN members may improve their trade position with Japan this year. Lower oil prices, however, will help Japan trim its overall deficit with the region, mainly at Indonesia's expense.

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**Table 1**  
**Japan-ASEAN Trade: Product Categories**

	Major Japanese Exports to ASEAN	Major Japanese Imports From ASEAN
Indonesia	Base metals, machinery, vehicles, textiles, chemical products, plastic materials	Oil, natural gas, wood, other primary products
Malaysia	Base metals, machinery, vehicles, chemical products, textiles, consumer electronics	Mineral products, woodland paper, base metals, animal and vegetable products
Philippines	Base metals, machinery, vehicles, chemical products, plastic materials	Mineral products, animal and vegetable products, copper concentrates, gold and nickel, bananas, sugar, wood products
Singapore	Base metals, textiles, machinery, vehicles, consumer electronics	Mineral products, animal and vegetable products
Thailand	Base metals, machinery, vehicles, chemical products, consumer electronics	Animal and vegetable products, foodstuff, plastic materials and leather, base metals

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poorer partners toward the richer, stronger one. Some in ASEAN believe that Japanese trade policy consigns ASEAN to the perpetual role of raw-material supplier. In addition, Japanese businessmen in Southeast Asia are criticized for promoting local employees into key management and technical jobs too slowly, for insensitivity to local cultures, and for collaborating with overseas Chinese businessmen at the expense of indigenous entrepreneurs. [ ]

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For their part, the Japanese complain of corruption and excessive redtape hampering Japanese investors in the region. They also note that Japan's ambitious efforts to foster regional industrialization by dealing with ASEAN collectively have had disappointing results because of the ASEAN countries' failure to agree among themselves. [ ]

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**Investment.** Since 1970, Japanese private investment in ASEAN has become a critical source of capital, technology, and management know-how for the region. Japan is now ASEAN's largest investor, accounting for about one-third of annual foreign investment. It is the leading investor in Thailand and Indonesia (outside the oil sector), second in the Philippines and Malaysia, and fourth in Singapore. In each of the countries except Singapore, Japan accounts for 20 percent or more of foreign investment (see table 2). By March 1982 Japanese firms had invested \$9.9 billion in ASEAN (see table 3). [ ]

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**Aid.** Aid is a major component in Japan-ASEAN economic relations. The first Japanese aid commitment was made in 1963. Since then, Japan has become the region's primary source of foreign assistance, providing about 40 percent of ASEAN's bilateral aid (see table 2). Although ASEAN will continue to be a major recipient of Japanese economic assistance, we believe the situation is working against any sizable

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Despite Tokyo's large stake in the region, there are significant strains in the economic relationship, based in part on the natural resentment of the weaker,

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**Table 2**  
**Japan: ASEAN Countries as Recipients**  
**of Official Development Assistance (ODA)**  
**and Direct Investment**

Million US \$

Rank	Country	Amount
<b>ODA (CY 1981)</b>		
1	<i>Indonesia</i>	461.8
2	India	370.9
3	South Korea	334.6
4	<i>Thailand</i>	286.2
5	<i>Philippines</i>	233.7
6	Bangladesh	212.5
7	China	205.7
8	Burma	176.8
9	Brazil	122.1
10	<i>Malaysia</i>	113.7

**Direct Foreign Investment (FY 1981)**

1	<i>Indonesia</i>	2,434
2	United States	2,329
3	Panama	614
4	Liberia	466
5	Australia/New Zealand	404
6	Hong Kong	329
7	Brazil	316
8	<i>Singapore</i>	266
9	Netherlands	138
10	West Germany	116

Note: Countries listed in italicized type are members of ASEAN.

increase in percentage terms. For example, according to public sources, Tokyo believes an increasing share of its official development assistance (ODA) should go to developing countries with low per capita incomes. Also, Foreign Ministry guidelines provide that ASEAN should receive about 30 percent of official yen loans and grants annually. The most recent data show official commitments at 32.4 percent.

Nakasone made it clear he was committed to maintaining global Japanese aid at high levels while continuing to accord first priority to ASEAN. Despite tight budgetary constraints, he offered Thailand and Indonesia concessionary yen loans and grants that

were roughly commensurate with the previous year. The Philippines received about a one-third increase, and Malaysia had already received a substantial increase. In the judgment of the Japanese Ministry of Foreign Affairs, the ASEAN countries are reasonably satisfied with the levels of ODA provided. The aid offers emerged out of a classic bureaucratic contest between the Ministry of Foreign Affairs arguing the foreign policy case for larger amounts and the Ministry of Finance pleading budgetary limitations.

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Nakasone volunteered assistance in modernizing ASEAN industries, although, again because of bureaucratic infighting, he was unable to go into details.

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He also proposed a Japan-ASEAN Ministerial Conference to facilitate the transfer of Japanese technology from Japan to the region. In addition, he volunteered to invite nearly 4,000 ASEAN students over the next five years to spend a month in Japan.

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Nakasone offered to convey ASEAN views to the Williamsburg Summit and report back the results. The offer gives some substance to Japan's longstanding aspiration to serve as a bridge between North and South—particularly on economic issues. In response to the offer, ASEAN leaders urged reform of the world monetary system along the lines of proposals made at Cancun—prevention of a precipitous decline in oil prices, a reversal of the trend toward protectionism by the industrial economies, and support for a new international economic order.

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**Domestic Factors**

An unstated but clearly important objective for Nakasone was to use the trip to bolster his political standing at home. Nakasone's political support, as measured in public opinion polls, was at a low point.

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**Table 3**  
**Japanese Investment in ASEAN, 1951–March 1982**

	Amount (million US \$)	ASEAN Share of Total Japanese Foreign Investment (percent)	Japanese Share of Foreign Investment in Country (percent)	Product
<b>Total</b>	<b>9,855</b>	<b>21.6</b>	<b>NA</b>	<b>NA</b>
Indonesia <sup>a</sup>	6,858	15.0	38.7	Aluminum Urea Import substitution projects (textiles, electrical apparatus, automobiles, motorcycles)
Thailand	427	1.0	32.8	Import substitution projects
Malaysia	681	1.5	20.9	Petroleum projects Import substitution projects Some export industries (wood products, palm oil, textiles)
Philippines	687	1.5	19.7	Small-scale manufacturing Marine products Service industries Agricultural products
Singapore	1,202	2.6	15.8	Oil refining Electrical apparatus Electronics Industrial machinery Textiles Metal products

<sup>a</sup> Nonoil foreign investment only.

than his recent predecessors—believes foreign policy gives him a freedom of action and a consequent opportunity for politically rewarding achievements not available in the domestic arena. The trip came in the wake of local elections in Japan and midst speculation concerning the dates of the next national elections. By demonstrating that an expanded defense effort is acceptable to ASEAN, he may have undercut some of the domestic opposition to that effort. [ ]

Diplomatic reporting prior to the visit indicated considerable Japanese nervousness about the possibility of public demonstrations or other expressions of anti-Japanese sentiment—particularly in Indonesia. These fears proved unfounded, as public and press reception in the region was better than expected. Potentially contentious issues such as Japanese aid to China, Chinese membership in the Asian Development Bank, and trade with Vietnam received little attention. [ ]

#### Potential Problems

The risk associated with the trip is whether Nakasone can follow through on the expectations he created, particularly concerning trade. According to the US Embassy, the Japanese Trade Ministry is already concerned on this point. Easing strains over trade will require significant tariff and quota concessions. There is a widespread feeling in ASEAN that previous Japanese prime ministers have promised more than they have delivered—a perception that Nakasone implicitly acknowledged. Malaysian Prime Minister Mahathir, who has staked his political fortune on a close association with Japan through his “Look East” policy, is especially vulnerable to a backlash of dashed expectations. [ ]

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By offering to speak on behalf of ASEAN at meetings of the advanced industrial countries, Nakasone has placed himself in a potentially difficult position. If the results are disappointing for ASEAN, Nakasone may be tempted to blame the other summit participants.

Although following up pledges to increase the flow of ASEAN students to Japan will be relatively straightforward, efforts to encourage technology transfer, beginning with a ministerial conference, may be more difficult. Nakasone apparently struck a responsive chord in ASEAN with this proposal. The initiative was largely his own, however, and the bureaucracy has given it little attention. By focusing on Japan's defense buildup, Nakasone may also have inadvertently stimulated expectations that Japan will become a future supplier of military equipment and technology to the region. The Indonesian Government was explicit on this point, looking to possible cooperative efforts in the defense industrial sector.

#### Implications

The success of the Nakasone visit signals a maturing of the Japan-ASEAN relationship in several respects. His visit came on the heels of a deep global recession that has curtailed Japan's ability to supply aid and has greatly increased trade-related tensions between Japan and the region. Nevertheless, he received a warmer welcome than his predecessors and conveyed the impression of a Japanese leader anxious to establish personal relations on an equal footing with ASEAN leaders. Previous Japanese prime-ministerial visits had the air of commercial transactions—public statements by ASEAN praising, or at least not criticizing, Japan in return for large quantities of Japanese economic assistance.

The new maturity is also evident in a growing recognition of the community of interest between Japan and ASEAN. Nakasone highlighted this by bringing Japanese policy on Indochina into closer alignment with ASEAN's on Indochina. For their part, ASEAN leaders recognized an expanded Japanese defense effort and, in some instances, implied the need for some sort of security role—however indirect—for Japan in Southeast Asia. In response to his query to ASEAN leaders about their security concerns, Nakasone found that uneasiness regarding the Soviet military presence in the region was widespread.

The perception of shared interests is supported by data indicating a sharp increase in public awareness in Japan of the importance of Asia. A recent poll by *The Daily Yomiuri*, for instance, found that 34 percent of the respondents believed Japan's future rested on emphasizing ties to Asia; only 18 percent cited the United States. Growing interest in Asia is also reflected in such initiatives as the recent establishment of the Center for Southeast Asian Studies at Kyoto University.

Trade issues remain the principal area of conflicting interest—and even here some progress was made as a result of Nakasone's trade-liberalization pledges. By focusing on trade rather than aid, the trip tended to emphasize the durable commercial aspects of the economic relationship rather than the donor-recipient relationship of aid.

Finally, the growing maturity of the relationship was evident in the breadth of subject matter discussed during the visit—including Japanese defense policy, Indochina, the role of the great powers in Southeast Asia, and North-South issues—in addition to the more traditional focus on aid and economic development. The groundwork has apparently been laid for ongoing consultations on political-security questions. Foreign Minister Abe will have an opportunity to follow up at the expanded ASEAN ministerial talks in June.

#### The US Angle

US interests were also enhanced by Nakasone's tour. By strengthening the domestic constituency in Japan for an active foreign policy and enlarged defense responsibilities, Nakasone's trip supports trends in Japanese policy long urged by the United States. Similarly, a consolidation of the Japan-ASEAN relationship strengthens two economically dynamic, Western-oriented areas in which the United States has a major economic, political, and strategic stake. Finally, the defense issue has tended to highlight the importance of the US security role in Southeast Asia. Nakasone emphasized it to ease fears in ASEAN, some ASEAN governments emphasized it to impress upon Japan the conditional nature of their endorsement of Japanese defense policy.

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